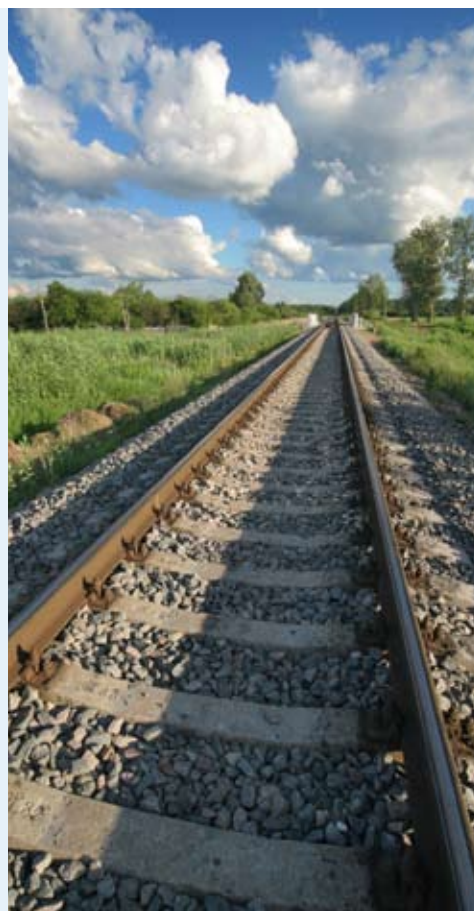




# Building A Better Railroad

2007 Annual Report



NORTH CAROLINA  
**RAILROAD**  
C O M P A N Y

## **The Mission**

### Of the North Carolina Railroad Company

To manage, improve and protect the State of North Carolina's rail properties and corridors in a manner that will enhance passenger and freight service and promote economic development.









## Friends of the North Carolina Railroad Company,

Because the North Carolina Railroad Company is the state's oldest corporation and its history is intertwined with the state's economic and demographic growth, it is tempting to focus on the company's past. However, today North Carolina's explosive population growth means the state faces new challenges. It is our mission to find ways for NCRR to help alleviate some of the transportation congestion now plaguing many parts of the state. At the same time, we are working closely with public and private partners to attract new rail-served industries that will provide good jobs for North Carolinians while enhancing the economic climate here.

NCRR will matter more in the next 15 years than it has in the last 50 because congested highways, higher energy costs and needs for environmental protection are pushing more businesses and individuals to seek alternatives to trucks and cars. To serve that need we are working closely with Norfolk Southern and the North Carolina Department of Transportation's Rail Division and are now about halfway through a \$160 million capital investment program to improve and expand capacity on the railroad.

Looking ahead, it is our plan that by 2020, the NCRR will have 50% more double track. Freight shipments will annually surpass two million carloads. North Carolinians could have access to rush hour commuter rail service linking the Piedmont, Triangle, Metrolina and Eastern North Carolina. Vehicle traffic will flow through safer crossings and more bridge overpasses will keep it flowing steadily. Amtrak trains between Raleigh and Charlotte, some of which go on to connect us to the Northeast corridor, will operate on time.

We invite your comments and questions as we go about building a better railroad with the speed, safety and additional capacity to help meet the transportation needs of North Carolina's rapidly growing population and economy.

**William H. Kincheloe**

Chairman of the Board of Directors  
North Carolina Railroad Company

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# Capital Improvement Projects Through 2012

The North Carolina Railroad is a crucial link in the network for the movement of goods and passengers between the economic markets of the Northeast, Southeast and of course within our state. On a one hundred and sixty one year old railroad, the quality of the track and bridges can be a challenge, so we're making the necessary investments to increase our capacity for freight and passengers. With our public and private partners, we are about half way through a \$160 million capital investment program in the corridor through 2012 that is improving safety, speed and capacity.

## Projects In Progress

### Double Tracking Projects

This work will improve capacity by allowing more trains on a second track. It will also help on-time performance by reducing delays associated with meeting and passing trains. These segments of the railroad are the most congested. The cost of these projects is being shared by the North Carolina Railroad, the North Carolina Department of Transportation, and Norfolk Southern.

- High Point to Greensboro—9 miles (Cox to Hoskins)  
Construction is in progress and the project should be completed by mid-2009.  
NCRR: \$4,000,000  
Total: \$19,000,000
- North Charlotte to Concord—12.1 miles (Haydock to Junker)  
Project is in study phases with NCRR, NS and NCDOT.  
Total: \$30,000,000
- Thomasville to Lexington—4.2 miles (Bowers to Lake)  
Project is in study phases with NCRR, NS and NCDOT.  
Total: \$10,000,000
- Kannapolis to Salisbury—10 miles (N. Kannapolis to Reid)  
Project is in study phases with NCRR, NS and NCDOT.  
Total: \$28,000,000

### Passing Tracks and Centralized Traffic Control (CTC) & Communications Raleigh to Goldsboro

Three passing tracks totaling eight miles will increase capacity on the railroad, thereby improving freight and passenger train performance and service. The addition of 31 miles of CTC will raise this part of the railroad to the same standard as the Raleigh to Charlotte segment and improve speed, performance and reliability, while allowing for increases in freight and passenger services in the future. The installation of an interlocking switch at the Cabarrus Street crossing and a revision of the track layout there will increase speed to and from the switching yard. Improvements to the nearby Boylan storage yard will allow longer, more efficient and cost effective trains to be assembled for large rail-served customers. The passing sidings are complete, and the signalization and yard track work will be completed mid-year 2008.

NCRR: \$22,600,000 Total: \$22,600,000

### Bridge Repair and Renovation: Neuse River Bridge — Johnston County Highway 87 Bridge — Alamance County

To improve or remove clearance restrictions, these two bridges are being upgraded. Construction is in progress with both bridges scheduled for completion in 2008.

NCRR: \$500,000 Total: \$500,000

### Replace Bridges in Lenoir County

The piers are settling and weight limits are restricted on two old single trestle bridges that span creeks in rural areas of Lenoir County. New bridges will be safer and allow bigger trains to pass at higher speeds. Construction is scheduled for completion in 2008. The cost of this project is being shared by Norfolk Southern.

NCRR: \$400,000 Total: \$800,000





Train carries new welded rail through downtown Raleigh from the Port of Morehead City.



Rail train being unloaded in New Bern, NC.

### Selma to Morehead City Grade Crossing Improvements

This joint Norfolk Southern-NCDOT-NCRR project improves grade crossing protection on unsignalized or partially signalized grade crossings on a 115-mile stretch of the corridor between CSX Junction in Selma and Morehead City. Work on this project will extend to the end of 2010. The cost of this project is being shared by the North Carolina Railroad, the North Carolina Department of Transportation and Norfolk Southern.

NCRR: \$2,227,200 Total: \$7,641,750

### Evaluate Bridge — Grade Crossing at Sugar Creek Road — Charlotte

The crossing, about half of a mile south of North Tryon Street, is the busiest along NCRR's corridor. Approximately 25,000-30,000 vehicles and 50-60 trains go through the crossing daily. This is an improvement to make the NCRR faster, safer and better able to handle more freight and passenger service, while protecting the environment and reducing energy consumption by reducing the amount of time so many vehicles must idle at this crossing. Kimley Horn & Associates was awarded a contract for preliminary construction design. NCRR will then develop recommendations to build a grade separation; a bridge that carries rail traffic over the road or carries road traffic over the rail. Construction would begin once the costs are known and matching funds are available from state, federal or local sources.

Initial cost estimates exceed \$20,000,000.

### Install Continuous Welded Rail — Goldsboro to Morehead City, Drainage Improvements — Dover

Continuous welded rail—rail that comes in long “ribbons” of steel that does not have frequent joints—was used to replace 15.5 miles of old 90-lb rail that dated back to 1924. The welded rail allows today's heavier, bigger trains to run smoother and faster and brings this segment of track up to the mainline standards. The Dover drainage project moves water away from the tracks where it could erode the track bed, and includes construction of a retaining wall to support the track bed and welded rail. Work should be complete by end of 2008.

NCRR: \$6,000,000 Total: \$6,000,000

### The 107-year-old rail bridge over old Hwy 70 in Clayton, NC, was replaced in one day.



### Construct Three Pedestrian Underpasses — Raleigh — Charlotte

In order to improve safety, NCRR is partnering with three communities with a high volume of pedestrian traffic near the railroad to build pedestrian underpasses. A project is underway in Elon, and Jamestown is under evaluation. A third location is still to be determined. These underpasses are constructed with a 50% NCRR — 50% match, using local or other funds.

NCRR: \$2,500,000 Total: \$5,000,000

### Straighten Curve in Kinston

A curve in downtown Kinston is also the tightest squeeze point on the railroad. Speeds must be reduced from 25 mph to 10 mph and clearance is often not possible for large loads such as military equipment. Straightening the curve requires dismantling an existing freight warehouse. Trains will be able to move through crossings more quickly and larger loads won't have to be diverted to trucks on congested Highway 70, improving the region's outlook for attracting new rail-served industries. This project is moving from the design to construction phase, with a completion date as end-of-year 2009.

NCRR: \$1,950,000 Total: \$1,950,000



## Completed Projects

### Tie and Surface Work between Goldsboro and Morehead City (94 miles)

This project replaced about 90,000 ties and improved the condition of the railroad.

Completed 2000

Total: \$10,000,000

### Upgrade track between Raleigh and Selma

Upgrade track class between Selma and Raleigh to increase passenger speed to 59 mph for approximately 30 miles; upgrade crossing circuits.

Completed 2002

NCRR: \$1,750,000 Total: \$2,600,000

### Extend Siding in West Durham (Funston) 1+ Mi.

This work was to extend passing siding and straighten curve west of Durham for approximately one mile segment.

Completed 2003

NCRR: \$75,000 Total: \$3,558,000

### Replace Neuse River Bridge — Kinston and Replace 14 Miles Jointed Rail — Kinston

Increased load of bridge to permit 286,000 lb. standard railcars as other segments of NCRR and allow port traffic.

Completed 2004 (bridge and rail work)

NCRR: \$6,600,000 Total: \$6,600,000

### Replace Jointed Rail — Kinston

Replace jointed rail with continuous welded rail (17 mile segment).

Completed 2005

NCRR: \$3,900,000 Total: \$3,900,000

### Replace NC 54 Railroad Bridge — Research Triangle Park

Replace existing single track railroad bridge in RTP with double track bridge to accommodate regional transit operations; improve traffic flow and eliminate substandard clearance.

Completed 2006

NCRR: \$5,500,000 Total: \$5,500,000

### Replace Bridge Trestle at Batchelder Creek — Craven County

Replace single track wooden trestle over Batchelder Creek in Craven County. Milepost EC 50.7

Completed 2006

NCRR: \$303,500 Total: \$303,500

Welded rail being laid in New Bern, NC.



New siding and signals under construction in eastern NC.



The ties and rail for a new passing track can be seen next to the main track.





## NCDOT Projects on NCRR

These projects on the NCRR are funded by NCDOT in partnership with NCRR.

### Acquire Property to Straighten Curve East of NC 54 Bridge

Acquire acreage for future straightening of curve in Durham County in Research Triangle Park for adding passing siding and improving curvature to allow higher speeds for freight and passenger trains.

Acquisition of property completed in 2006

NCRR: \$2,000,000 Total: \$2,000,000

### Feasibility Study — Havelock/Morehead City Main Line Relocation

Evaluate feasibility of relocating the main line off of Hwy 70 in Carteret County between Cherry Point MCAS and the Morehead City State Port Terminal to improve service and safety to/from the Morehead City Port; eliminate traffic crossings and hazards, and promote industrial development.

Feasibility Recommendations to Include Participants, Finance Sources and Alternatives

Study completed in 2006

NCRR: \$500,000 Total: \$500,000

### Replace Restricted Bridge — Clayton MP H-95.2

Replace bridge structure on main line to eliminate speed restriction and improve clearance on Old Hwy 70.

Completed in 2008

NCRR: \$1,000,000 Total Cost: \$1,000,000

New bridge over Old Hwy 70 in Clayton installation.



### Curve Work: Raleigh — Charlotte

This work includes increasing superelevation in selected curves, slight curve realignments, modifying superelevation on bridge decks and culverts to accommodate higher speeds.

Construction in progress

Cost: \$5,000,000

### Construct New Main Track and Siding — East Durham

This work is to improve capacity by adding a passing (main) track near the freight yard in East Durham for passing trains.

Completed 2007

Cost: \$7,000,000

### Road Crossing Circuits: Cary — Greensboro

The activation circuits will be lengthened and constant warning devices will be added to accommodate trains running at higher speeds through various crossings. Some of the crossing work is already underway between Greensboro and Charlotte.

Completed 2004

Cost: \$2,525,000

### CTC & Communications: Cary — Greensboro

The installation of centralized traffic control system with communications to permit operation of trains up to a maximum speed of 79 mph and reduce delays associated with meeting and passing trains.

Completed 2004

Cost: \$9,669,300

### Upgrade and Extended McLeansville & Mebane Siding

This work is to improve capacity by upgrading and extending passing track to reduce delays associated with meeting and passing trains.

Completed 2002

Cost: \$2,195,000

### Cary Interlocking

Currently in preliminary engineering.

### High Speed Rail Planning

NCDOT continues to conduct environmental and engineering studies to bring interstate High Speed Rail to North Carolina.

# Economic Impact Study of the North Carolina Railroad Company

In 2007, NCRR retained Research Triangle Institute to conduct a study to help NCRR understand its economic impact in North Carolina. Here are some of the highlights from that study. To read more, visit [www.ncrr.com](http://www.ncrr.com).\*

Share of NC economy depending on NCRR is 24.1%, \$143 billion.

Industries shipping \$100,000 or more a year employ 1,700 to 110,000; a total of 684,000 jobs in North Carolina are related to NCRR's railroad.

The positive environmental impact of NCRR, including reduced emissions, injury-accidents and noise is valued at \$65.7 million.

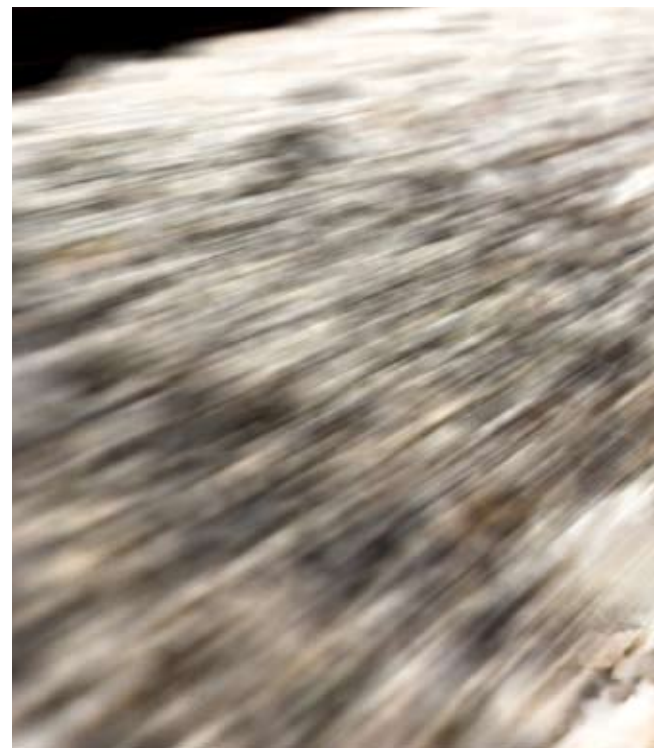
NC industries' cost savings, using NCRR instead of trucks, is \$198 million; direct impact: \$223.1 million; total NC economic impact: \$337.7 million.

NCRR is a unique and valuable artery for transportation and job creation. Freight carried was 254,000 carloads, 9.7 million tons, 9.9 billion ton-miles.

Passengers totaled 295,000, or 103 million passenger miles.

Customers spent \$74.6 million on freight; direct impact of \$90.6 million; total NC impact of freight dollars is \$143 million.

*\*2005 study data*









# Shared Corridor Track Expansion Commuter Rail Study

Because there is growing interest among communities statewide to confront issues of traffic congestion, NCRR is conducting a study to determine the costs and infrastructure needed to upgrade the railroad for commuter passenger rail without impeding existing and future freight capacity. NCRR is primarily a single-track freight railroad. The costs and impacts of commuter rail on the same tracks as freight have never been studied. This NCRR-funded study will determine track expansion feasibility, costs, and standards for commuter rail service utilizing the NCRR corridor.

NCRR's freight operations agreement with Norfolk Southern Railway makes provision for shared freight and passenger tracks for conventional commuter rail (on NCRR-owned lines), so long as NCRR's and Norfolk Southern's freight carrying capacity is protected and the costs are borne by the commuter rail sponsor (state or local government).

**The study is expected to be completed during the third quarter of 2008.**

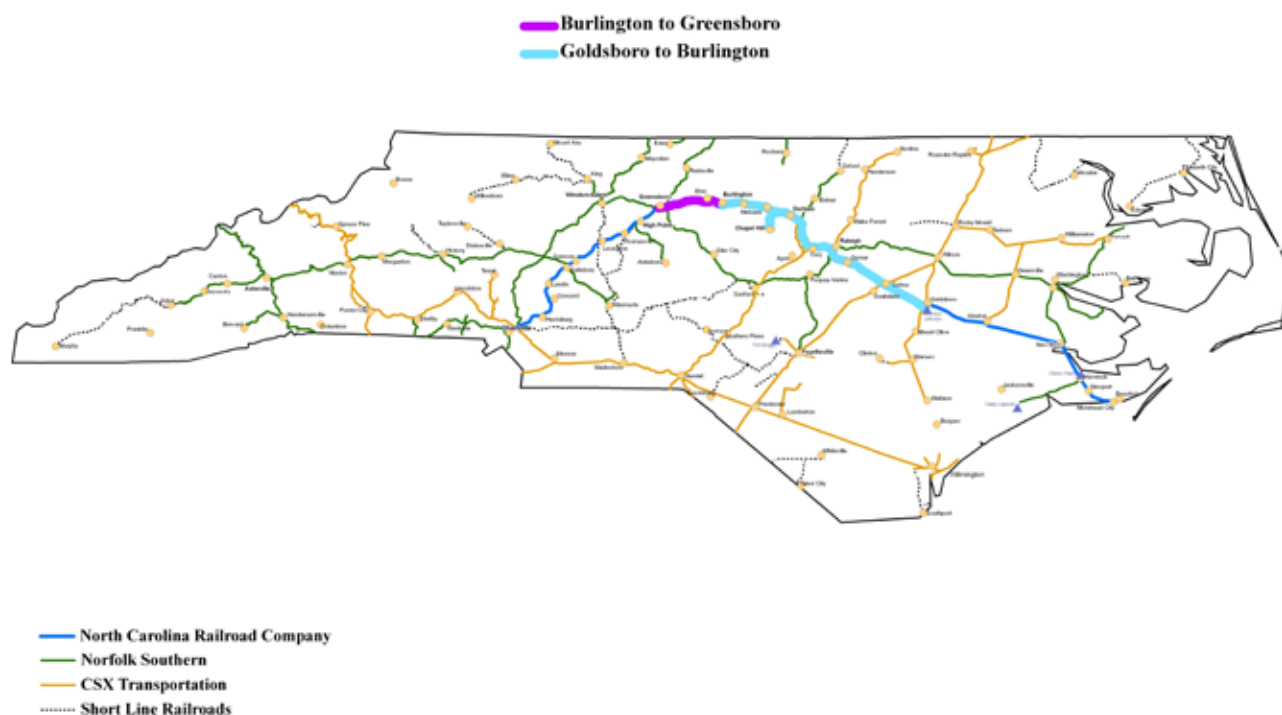
The study will evaluate capital cost of services between Greensboro and Goldsboro, and with a track to Chapel Hill.

Service assumptions for the study will be four (4) morning and four (4) evening trains (peak hours) and will assess infrastructure requirements (track, bridges, railroad signal systems, facilities, etc.) and costs.

This study is not intended to be a substitute for state, local or regional planning, but rather, to complement their planning efforts by assessing the feasibility and additional infrastructure required to operate commuter rail within the freight rail corridor.

The purpose of this study is to provide accurate information to regional and local governments for planning and cost assumptions as they consider transportation options, including commuter rail where feasible, utilizing the NCRR corridor for improved and safer transportation in North Carolina.

## Track Expansion Study Areas



# Properties & Corridor Management

## Properties

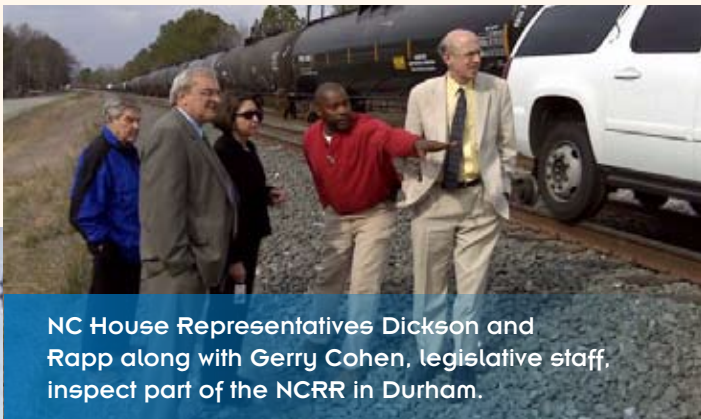
NCRR acquired properties over its 160 year history for freight, passenger and repair facilities as the railroad was built and businesses grew up around it. Today NCRR owns a variety of land parcels and buildings occupy some of them. They are evaluated for "best possible use" by the Management, in conjunction with the communities in which they are located.

In 2007, NCRR acquired a land parcel in Pine Level to facilitate a road extension so a crossing could be closed.

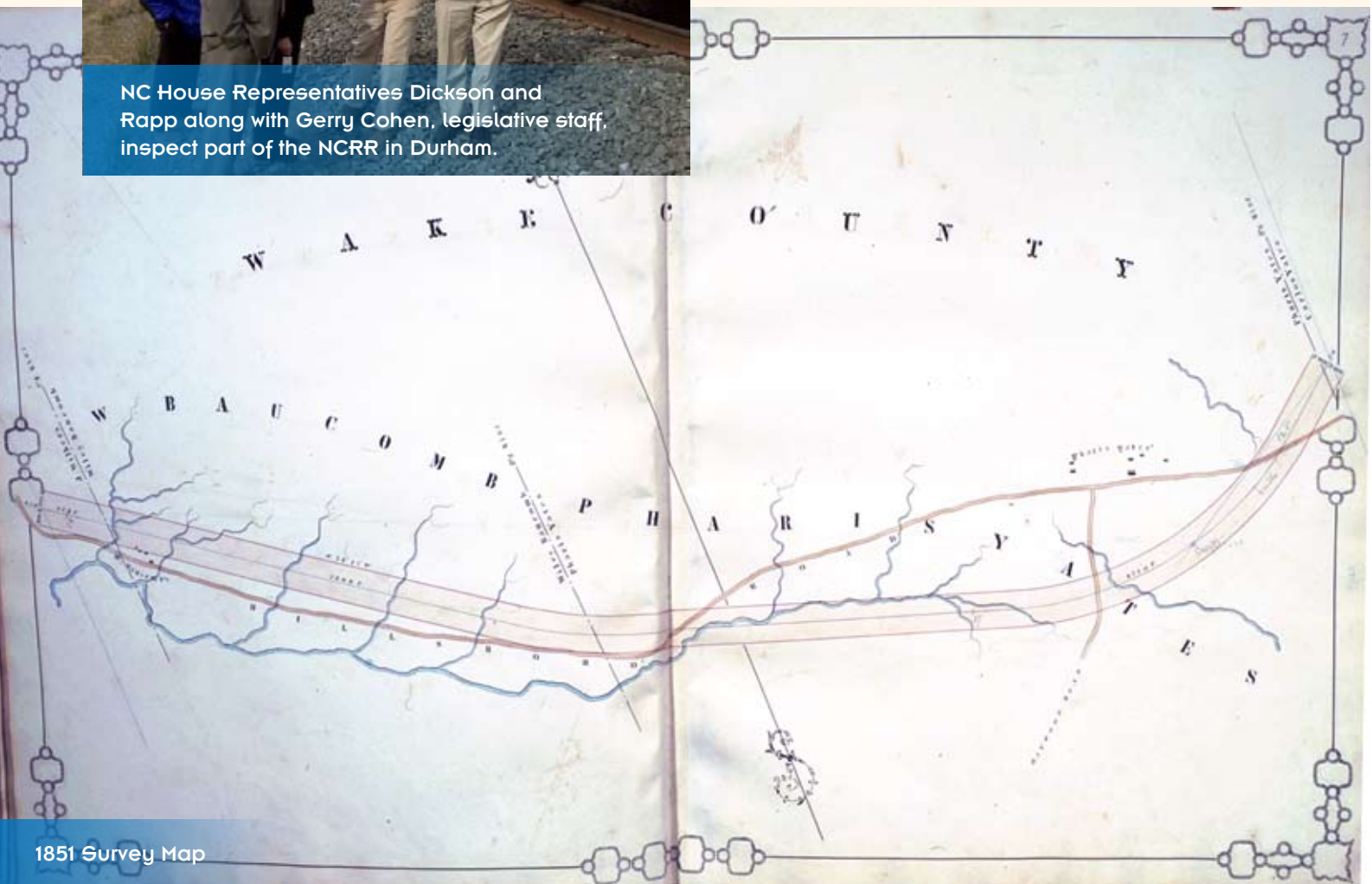
Two abandoned buildings inside the corridor in Durham on Ellis Road were removed for safety reasons. Also, a dilapidated freight shed in Princeton was removed.

## Corridor Management

Because NCRR was a "silent partner" in its prior 99-year lease with Norfolk Southern dating to 1895, encroachments gradually edged inside the railroad's boundaries. In 2001, once a new agreement was negotiated, the NCRR was charged with protecting and preserving the corridor for future transportation and economic development needs. NCRR real estate representatives now explain the corridor's exact location and assist business owners with safety issues that are inherent to operating close to an active rail line. NCRR's corridor management policies are driven by safety, future need for properties and environmental concerns.



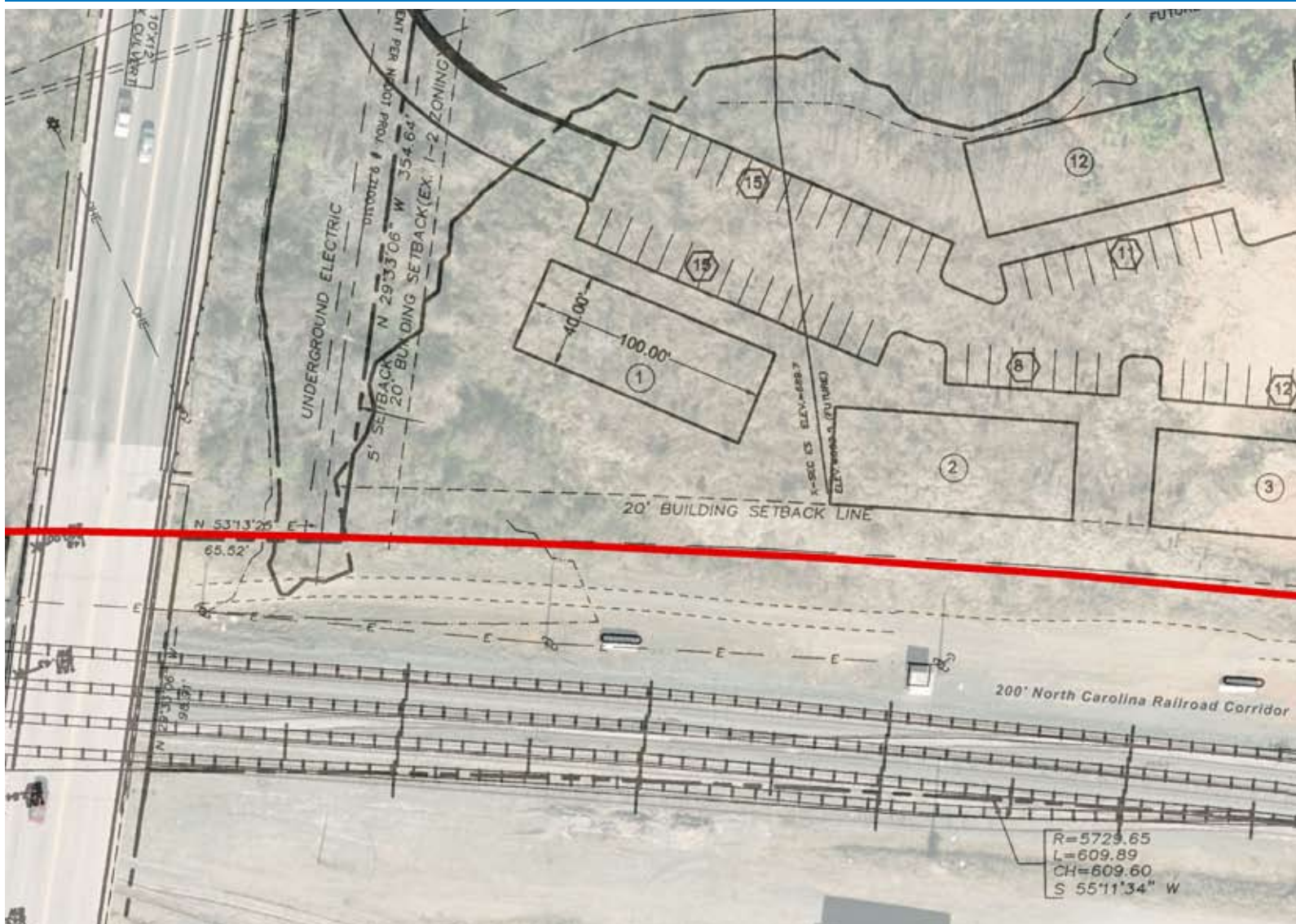
NC House Representatives Dickson and Rapp along with Gerry Cohen, legislative staff, inspect part of the NCRR in Durham.



1851 Survey Map



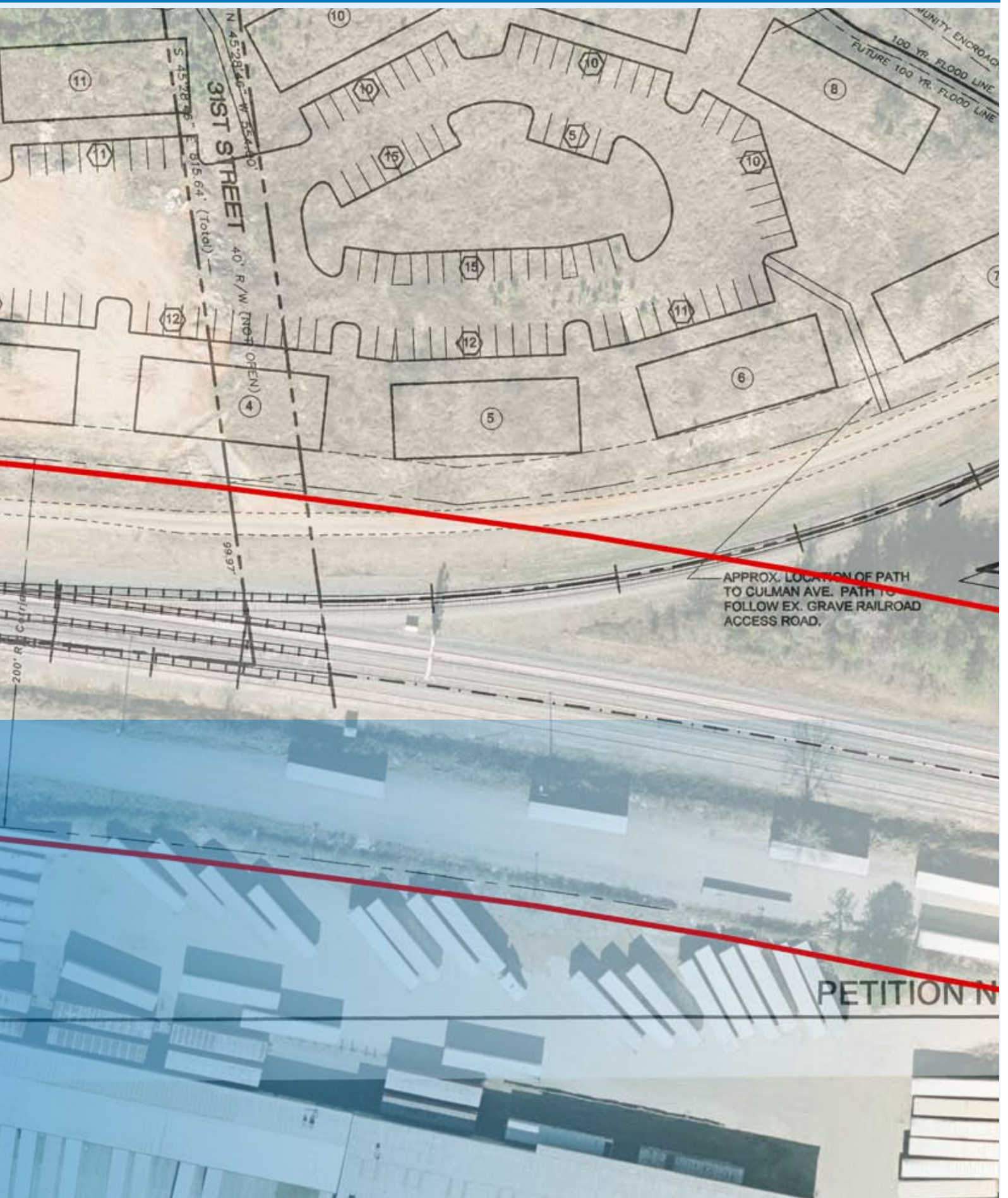
# Rail Corridor Geographic Information



The Geographic Information System (GIS) that NCRR has developed over the past couple of years continues to serve as an important tool in support of the Corridor Management Program. The past year has seen more advanced integration between the graphical portions of the GIS and existing NCRR databases. This integration has been driven by the need for an enterprise-wide GIS that incorporates larger datasets and is accessible to all parts of the organization.

Initiated in 2006 and expanded in 2007, the GIS was made part of an outreach program aimed at educating officials involved in planning and land use, and private professionals such as surveyors and environmental engineers about the Corridor Management Program. The outreach program has given NCRR an opportunity to communicate important boundary information to a number of cities' and counties' department heads and staff. Working with land surveyors statewide, 2008 will bring more GIS development and outreach.







# Safety

Nationally for 2007, Operation Lifesaver reports 2,728 collisions resulting in 986 injuries and 339 fatalities; 486 trespassing fatalities occurred and 393 trespasser injuries. Locally in North Carolina, there were 68 collisions, five fatalities, 20 injuries and 21 trespassing fatalities, and 16 injuries.

NCRR incorporates safety into its Capital Improvement Program, public service projects and corporate culture. In 2007, the staff was trained in CPR and basic first aid. In June, the company developed and produced a Public Service Announcement (PSA) with Casey Mears, NASCAR driver for the Hendrick Racing team. The PSA appeared on both television and radio and won the 2007 media award from North Carolina Operation Lifesaver. The message urges people not to try to "beat the train" at rail crossings and was developed to support a joint crossing upgrade program underway with Norfolk Southern, NCDOT Rail Division and NCRR. For 2008, NCRR will sponsor safety messages at the Carolina Railhawks professional soccer team events.



Safety fence installed  
near Fairgrounds in Raleigh.





Kat Christian presents Crossing Safety Public Service Announcement to Secretary's Rail Advisory Committee.





# Corridor for Commerce

## The North Carolina Railroad Company:

- Owns and manages a 317-mile rail corridor extending from the Port at Morehead City to Charlotte.
- Is a private company for which the state of North Carolina is the shareholder.
- Requires no appropriations from the state.
- Uses revenues it receives from a track usage agreement with Norfolk Southern to make improvements along the corridor to attract and serve rail-dependent industries. These businesses create jobs and enhance the economies of communities statewide.

## It is a key transportation artery that can help with traffic congestion:

- A freight train is able to move a ton of freight 423 miles on a single gallon of fuel, making them at least three times more efficient than trucks, saving the state over \$20 million in highway costs annually.
- North Carolina Department of Transportation's Rail Division reports passenger increases of 37.7 % on the Carolinian and 17.6% on the Piedmont; the two North Carolina train routes they manage.

## NCRR will matter more in the next 15 years than in the last 50:

- Congested highways, higher energy costs and needs for cleaner air are pushing more businesses and individuals to seek alternatives to trucks and cars.
- The US DOT estimates that population growth, economic development and trade will almost double the demand for rail transportation by 2035.
- It predicts that an investment of \$148 billion (in 2007 dollars) for infrastructure expansion over the next 28 years is required to keep pace with economic growth and meet the US DOT's forecast demand.

## The railroad's potential is now being realized:

- NCRR, along with its private and public partners, has underway a \$160 million capital investment program between now and 2012 to improve bridges and add tracks and sidings.
- When completed, the corridor will be able to handle more trains, with larger loads, traveling faster and more safely.
- Consequently, it will be more important than ever to protect this corridor, just as we protect our highway right-of-ways, land around our airport runways and the channels of our ferries.





# Environmental Policy

NCRR, Norfolk Southern and NCRR's other licensees are responsible for compliance with state, federal, local laws or other provisions relating to the discharge of materials and the protection of the environment. The risk of incurring environmental liability is inherent to conducting railroad operations. Some of the commodities that are transported over the railroad lines are classified as hazardous materials. Environmental problems may exist on properties owned by the railroad which are known by the former tenants but which have not been disclosed to the NCRR. State and federal environmental provisions may impose joint and several liability upon the railroad and its lessees and sub-lessees for environmental damage or clean up (or associated costs) of any real properties owned by the railroad and adjoining properties if the source of any problem is the property of NCRR. NCRR believes that

damage or clean up (or associated costs) is the responsibility of the lessees and any sub-lessees or other parties who may have created any actionable environmental condition.

The 1999 Trackage Rights Agreement with Norfolk Southern contains extensive provisions governing the rights and obligations of the parties for various environmental liabilities and expenses.

NCRR has conducted most of the Phase I Environmental assessments required under the 1999 Trackage Rights Agreement with Norfolk Southern. Several of the assessments indicate the possibility of environmental contamination and will need further attention. These problems include underground storage tanks and remnants of former tenancies, including scrap yards and industrial facilities.



# Board of Directors



**William H. Kincheloe, CHAIRMAN**

Rocky Mount  
President, Wildwood Lamps and Accents



**Christie S. Cameron**

Raleigh  
Clerk of the North Carolina Supreme Court



**John M. Pike**

Goldsboro  
Director of Operations, Goldsboro Milling Corporation



**David T. Woodard, TREASURER**

Raleigh  
General Agent for Union Central Financial



**Marion Cowell**

Charlotte  
Attorney, Of Counsel, Kilpatrick Stockton



**Dennis Rash**

Charlotte  
Executive in Residence and Visiting Professor of Transportation Studies, UNC-Charlotte



**John L. Atkins, III**

Research Triangle Park  
President and Chief Operating Officer, O'Brien/Atkins Associates PA



**Murray C. Greason, Jr.**

Winston Salem  
Womble Carlyle Sandridge & Rice



**Frederick Kenneth Ruffin**

Durham  
Owner, Ruffin Realty and Insurance, Inc. (retired)  
US Air Force (retired)



**Robert F. Bleecker**

Red Springs  
President of Bleecker Olds, Buick, GMC, Inc. and Bleecker GMC Trucks and Superstore



**Robert W. Griffin**

Kinston  
Principal in the law firm of Griffin and Griffin, Attorneys



**Pender Eugene Upchurch, III**

Raleigh  
Vice President-State Pubic Affairs, Progress Energy



**Sam Hunt**

Burlington  
Owner, Hunt Electric Supply and Atlas Lighting Products, Inc.



Senator Clark Jenkins hy-rails with Chairman Bill Kincheloe.



Jack Moody retires from the Board after 25 years of service.



# Management and Staff

## Officers and Management

**Scott M. Saylor**, President

**Kat Christian**, Public Affairs Director

**Catherine Campbell**, Planning and Research Assistant

## Accounting and Capital Budgeting

**Dan Halloran**, Vice President and Chief Financial Officer

**Nancy Pickett**, Office Manager

**Glenn F. Hartsoe, P.E.**, Consulting Engineer

## Property Department

**Charles E. Burnell**, Vice President, Real Estate

**William C. Miller**, Property Manager

**Justin Madigan**, Assistant Corridor Manager and Information Technology

**Keri Petersen**, Archivist/Records Management

**John L. Spencer**, Real Estate Representative

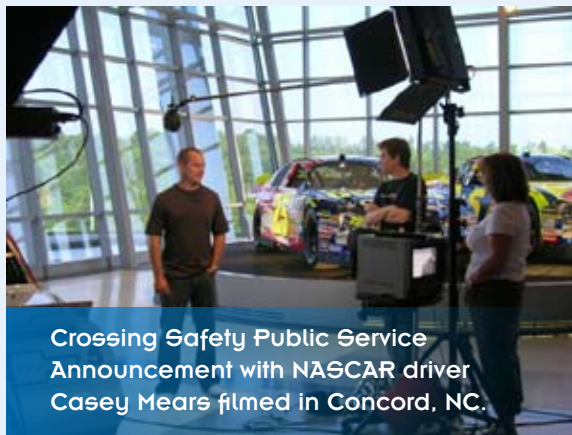
**Cathy J. Deeley**, Real Estate Representative

**Kristian D. Forslin**, GIS Coordinator



NCRR exhibits at the Transportation Hall of Fame.

## Track Relocation Study results announced.



Crossing Safety Public Service Announcement with NASCAR driver Casey Mears filmed in Concord, NC.

## Morehead City Sesquicentennial Train (Trent River, New Bern).

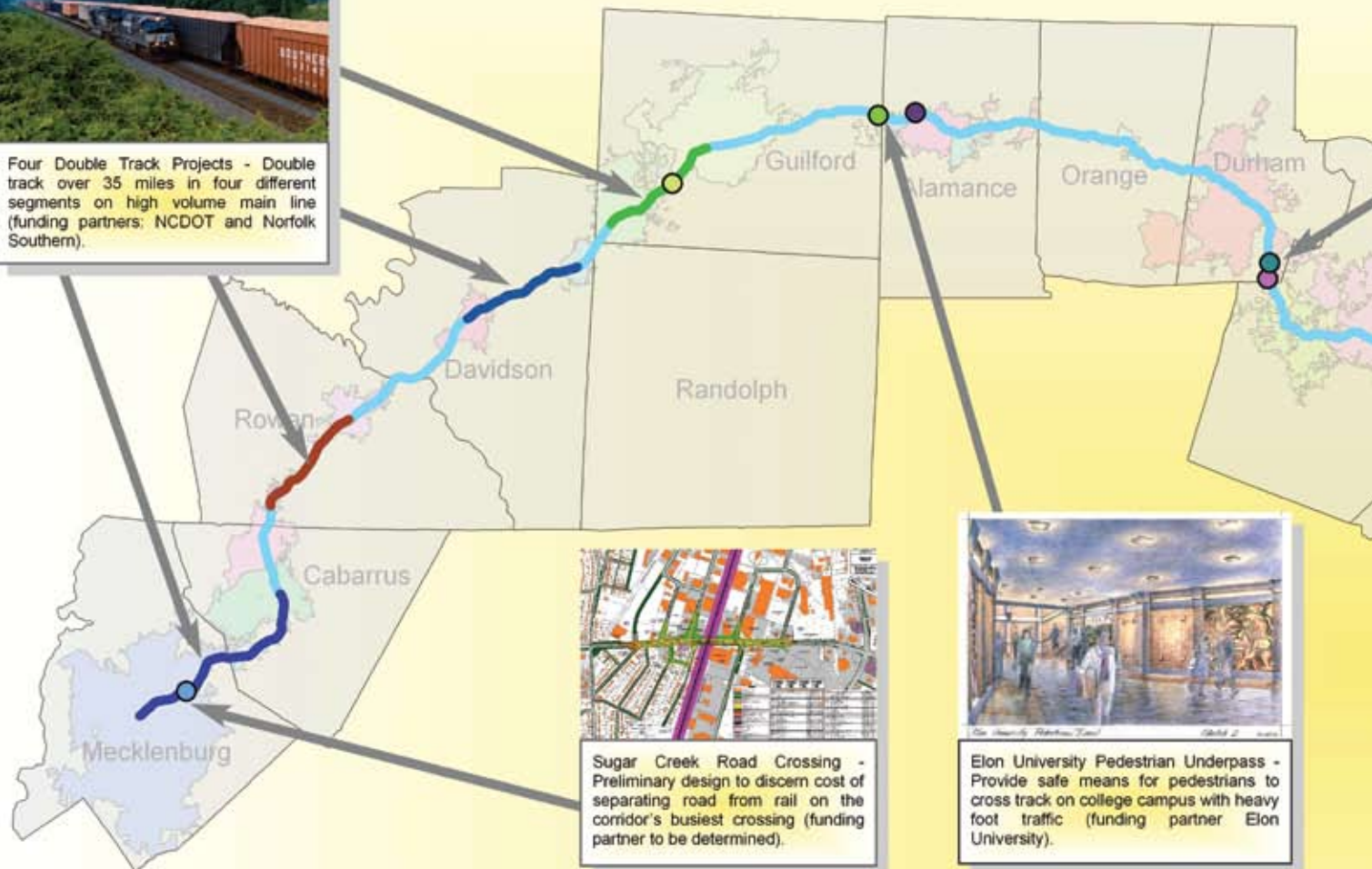


# North Carolina Railroad Company - Capital

"Building a better"



Four Double Track Projects - Double track over 35 miles in four different segments on high volume main line (funding partners: NCDOT and Norfolk Southern).



Sugar Creek Road Crossing - Preliminary design to discern cost of separating road from rail on the corridor's busiest crossing (funding partner to be determined).



Elon University Pedestrian Underpass - Provide safe means for pedestrians to cross track on college campus with heavy foot traffic (funding partner Elon University).

## Bridge and Crossing Improvements

### Improvement Name & Status

- Batchelor Creek Bridge Trestle
- Bridge Replacement at e-019.5
- Bridge Replacement at e-020.7
- Clayton Restricted bridge
- ⊗ Grade Crossing Improvement Program
- Hopson Road Alignment Bridge and Curve (Future)
- NC Hwy 54 Bridge
- NC Hwy 87 Bridge
- Neuse River Bridge - Kinston
- Neuse River Bridge - Wilson's Mills
- Pedestrian Underpass - Elon University
- Pedestrian Underpass - Jamestown
- Sugar Creek Rd Bridge / Grade Separation (Future)

## Track Improvements

### Improvement Name & Status

- Charlotte to Concord (Future)
- Cox to Hoskins Double Track
- East Durham New Main Track
- Goldsboro to Morehead City Replace Rail (Future)
- Kannapolis to Salisbury
- Kinston to New Bern Replace Rail
- Lexington to Thomasville (Future)
- Raleigh to Goldsboro Siding and Signals

### LOCATOR



NORTH CAROLINA  
RAILROAD  
COMPANY

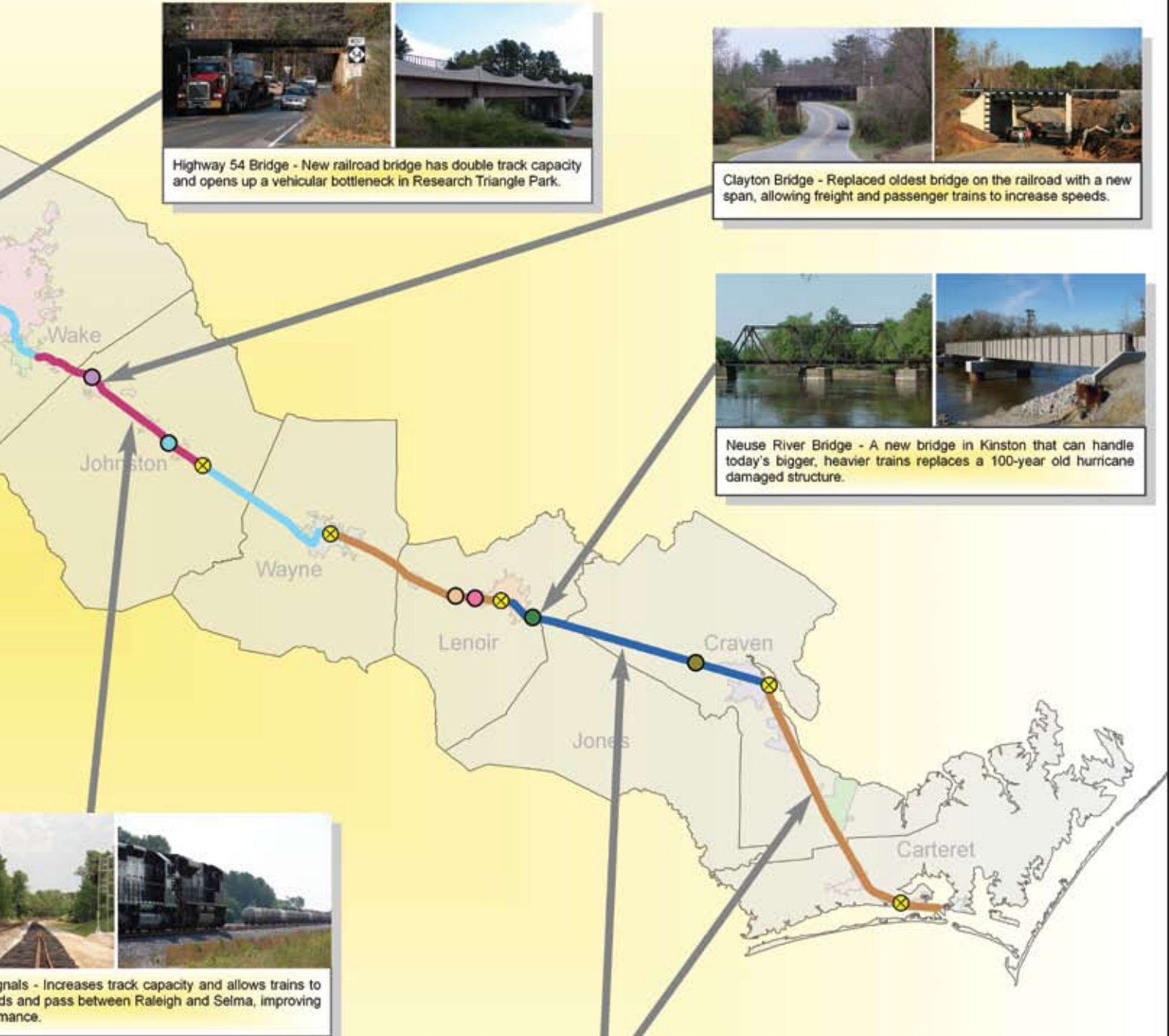
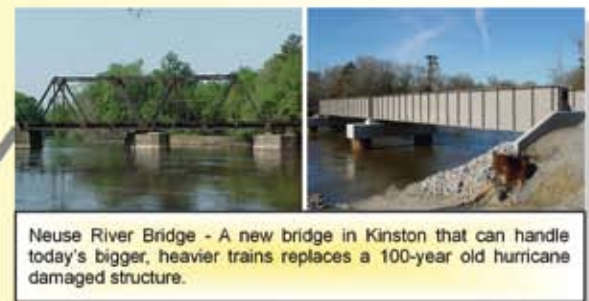


Siding and Signal  
increase speed  
on time performance



# Capital Improvement Projects Through 2012

## "Better railroad"



## Consolidated Financial Report

# NORTH CAROLINA RAILROAD COMPANY

December 31, 2007 and 2006

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# Independent Auditor's Report

## McGladrey & Pullen

Certified Public Accountants

### Independent Auditor's Report

To the Stockholder and Board of Directors  
North Carolina Railroad Company  
Raleigh, North Carolina

We have audited the accompanying consolidated balance sheet of North Carolina Railroad Company and subsidiary as of December 31, 2007, and the related consolidated statements of income, stockholder's equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of North Carolina Railroad Company for the year ended December 31, 2006 were audited by other auditors whose report, dated June 12, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Railroad Company and subsidiary as of December 31, 2007, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Raleigh, North Carolina  
April 21, 2008

# NORTH CAROLINA RAILROAD COMPANY

## CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006

### ASSETS

	<u>2007</u>	<u>2006</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$2,249,381	\$1,797,966
Accounts receivable	56,348	100,044
Interest receivable	237,774	-
Prepaid expenses	82,158	59,297
Total current assets	2,625,661	1,957,307
<b>Property and Equipment:</b>		
Roadway and land	7,848,742	7,848,742
Tracks, signals and bridges	80,053,908	48,923,475
Land	4,604,513	4,566,615
Buildings and improvements	8,635,345	7,027,125
Equipment and furniture	1,064,899	960,680
Construction in progress	4,492,193	17,238,915
	106,699,600	86,565,552
Accumulated depreciation	(21,753,771)	(16,251,460)
Property and equipment, net	84,945,829	70,314,092
<b>Other Assets:</b>		
Funded capital projects	28,762,013	29,758,590
Deposits	51,725	25,110
Total other assets	28,813,738	29,783,700
Total assets	\$116,385,228	\$102,055,099

See Notes to Consolidated Financial Statements.



# NORTH CAROLINA RAILROAD COMPANY

## CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006

### LIABILITIES AND STOCKHOLDER'S EQUITY

2007

2006

#### Current Liabilities:

Accounts payable and accrued expenses	\$3,088,455	\$4,962,043
Total current liabilities	3,088,455	4,962,043

#### Long-Term Liabilities:

Security deposits	67,931	167,931
Deferred tax liability	574,000	-
	641,931	167,931
Total liabilities	3,730,386	5,129,974

Commitments

#### Stockholder's Equity:

Common stock, \$.50 par value, 10,000,000 shares authorized; 317 shares issued and outstanding	159	159
Additional paid-in-capital	167,303,013	158,609,990
Accumulated deficit	(54,648,330)	(61,685,024)
Total stockholder's equity	112,654,842	96,925,125
Total liabilities and stockholder's equity	\$116,385,228	\$102,055,099

# NORTH CAROLINA RAILROAD COMPANY

## CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Income:</b>		
Lease of roadway and land	\$12,886,327	\$12,470,437
Other lease income	1,758,577	1,393,695
Interest and dividend income	1,722,438	1,401,761
Other income	733,848	270,290
Total income	17,101,190	15,536,183
<b>Expenses:</b>		
Wages and benefits	1,215,456	1,233,572
Professional fees	537,327	584,658
Contracted services	138,658	126,328
Reporting and public relations	133,708	39,378
Insurance	291,369	168,856
Franchise and property taxes	259,992	200,465
Depreciation	5,683,518	4,743,681
Repairs and maintenance	214,221	233,510
Engineering, surveying and mapping	356,779	316,968
Interest expense	-	160,025
General and administrative	602,869	565,251
Total expenses	9,433,897	8,372,692
Income before income taxes	7,667,293	7,163,491
Income tax expense	630,599	-
Net income	\$7,036,694	\$7,163,491

See Notes to Consolidated Financial Statements.



# NORTH CAROLINA RAILROAD COMPANY

## CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

Years ended December 31, 2007 and 2006

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Stockholder's Equity
<b>Balance, December 31, 2005</b>	\$159	\$148,545,240	\$(58,783,765)	\$89,761,634
Dividends at \$31,750 per share	-	-	(10,064,750)	(10,064,750)
Capital contribution related to capital improvement projects	-	10,064,750	-	10,064,750
Net income	-	-	7,163,491	7,163,491
<b>Balance, December 31, 2006</b>	159	158,609,990	(61,685,024)	96,925,125
Capital contribution related to capital improvement projects	-	8,693,023	-	8,693,023
Net income	-	-	7,036,694	7,036,694
<b>Balance, December 31, 2007</b>	\$159	\$167,303,013	\$(54,648,330)	\$112,654,842

See Notes to Consolidated Financial Statements.

# NORTH CAROLINA RAILROAD COMPANY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$7,036,694	\$7,163,491
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,683,518	4,743,681
Deferred income tax provision	574,000	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	43,696	260,021
Interest receivable	(237,774)	-
Prepaid expenses	(22,861)	(27,753)
Deposits	(26,615)	(15,100)
Increase (decrease) in:		
Accounts payable and accrued expenses	464,565	(504,940)
Security deposits	(100,000)	100,000
Net cash provided by operating activities	13,415,223	11,719,400
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment	(13,960,385)	(12,587,366)
Funded capital projects, net	996,577	1,532,182
Net cash used in investing activities	(12,963,808)	(11,055,184)
<b>Cash Flows From Financing Activities:</b>		
Payments of dividends	-	(10,064,750)
Additional paid-in capital	-	10,064,750
Redemption of redeemable preferred shares	-	(302,500)
Net cash provided by financing activities	-	(302,500)

(Continued)



# NORTH CAROLINA RAILROAD COMPANY

## CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Net increase in cash and cash equivalents	451,415	361,716
<b>Cash and Cash Equivalents:</b>		
Beginning	1,797,966	1,436,250
Ending	<u>\$2,249,381</u>	<u>\$1,797,966</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the period for income taxes	<u>\$40,100</u>	<u>\$ -</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$160,025</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities:</b>		
Additions to property and equipment paid by the North Carolina Department of Transportation	<u>\$8,693,023</u>	<u>\$ -</u>
Construction costs included in accounts payable and accrued expenses	<u>\$2,127,370</u>	<u>\$4,465,523</u>

See Notes to Consolidated Financial Statements.

# NORTH CAROLINA RAILROAD COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

### Note 1 - Nature of Business and Significant Accounting Policies

#### Nature of Business

The North Carolina Railroad Company and subsidiary, a North Carolina company (collectively referred to as the "Company"), owns approximately 317 miles of continuous railroad line extending from Charlotte, North Carolina to Morehead City, North Carolina. The Company's railroad facilities are operated by Norfolk Southern Railway Company ("NSR"). Pursuant to a Merger Agreement dated January 16, 1998, the Company merged with the Beaufort & Morehead Railroad Company ("B&M"), a company wholly owned by the State of North Carolina. The merger was effective April 1, 1998. Upon consummation of the merger the State of North Carolina became sole owner of all of the common stock of the Company.

NC Railroad Company, Inc., ("NCRC") a wholly owned subsidiary of the North Carolina Railroad Company ("NCRR"), was formed on December 15, 2006. The subsidiary, NCRC, conducts certain taxable activities, such as leasing of real estate, while NCRR conducts all exempt activities, such as leasing of railroad facilities, construction of railroad improvements, economic development and corridor management.

A summary of the Company's significant accounting policies follows:

Basis of presentation: The accompanying consolidated financial statements include the accounts of NCRR and its wholly owned subsidiary, NCRC. All intercompany transactions and balances have been eliminated in consolidation.

Use of estimates: In preparing its consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenue and expenses during the reported period. Actual results could differentiate from those estimates.

Cash and cash equivalents: At times, the Company places cash and cash equivalents with high credit quality financial institutions in amounts that may be in excess of FDIC insurance limits, but believes such deposits pose no significant credit risk. Cash equivalents include certificates of deposit with an original maturity of three months or less. Cash and cash equivalents that are restricted or designated by the Board of Directors for capital projects are reflected as Funded Capital Projects in the accompanying consolidated balance sheets. See Note 3.

Accounts receivable: Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they are charged to operations in the period in which that determination is made.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

#### Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation. The Company has provided depreciation principally on the straight-line method over the estimated lives of depreciable assets. Buildings are depreciated over 25 years, land improvements are depreciated over 10 years, track and signals are depreciated over 10 years, bridges are depreciated over 25 years and furniture and equipment are depreciated over three to seven years. Values of the properties in the roadway and land account approximate 1916 valuations by the Interstate Commerce Commission. These properties represent fully depreciated roadway or land. The Company assesses long-lived assets for impairment whenever events or changes indicate that the carrying amount of the assets may not be recovered based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimate fair values.



**Lease of Roadway and Land Revenue Recognition**

Revenue received from property that is operated by NSR is reflected in the statements of income when earned in accordance with the Company's lease arrangements on the accrual method.

**Other Lease Revenue Recognition**

The Company leases certain property that is not operated by NSR. Revenue is reflected in the statements of income when earned. The Company also collects license fee revenue which is recognized when earned.

**Income Taxes**

For the year ending December 31, 2006, the Company was a real estate investment trust ("REIT") for federal income tax purposes. A corporate REIT is a legal entity that holds real estate interests and through distributions to shareholders is permitted to reduce or avoid the payment of federal and state income taxes at the corporate level. To maintain qualification as a REIT, the Company was required to distribute to stockholders at least 90 percent of REIT taxable income. The absence of a provision for current income taxes on the accompanying consolidated statement of income for the year ending December 31, 2006, is the result of deductible distributions of 100 percent of taxable income.

Pursuant to Section 11146 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act of 2005 ("Act"), a substantial portion of the Company's income is exempt from federal and state income taxes. As a result of the Act, the Company has determined that, effective as of January 1, 2007, it will no longer elect to be treated as a Real Estate Investment Trust. Activities that generate income which is not exempt from federal and state income taxes pursuant to the Act will be conducted in NCRC and will be subject to federal and state income taxes.

For the Company's subsidiary, NCRC, the liability method is used in accounting for income taxes which involves estimating the actual current income tax liability together with assessing temporary differences resulting from differing treatment of items for income tax and financial reporting purposes. These differences result in deferred income tax assets and liabilities. The Company must then assess the likelihood that its deferred income tax assets will be recovered from future taxable income. To the extent that the Company believes that recovery is not likely, it must establish a valuation allowance. Significant management judgment is required in determining the provision for income taxes, deferred income tax assets and liabilities and any valuation allowance recorded against net deferred income tax assets.

**Fair Value of Financial Instruments**

The Company estimates that the fair value of all financial instruments approximates the carrying amounts. Because of the short-term maturity of cash equivalents, accounts receivable, accounts payable and accrued expenses, their carrying amounts approximate fair value.

**New Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board ("FASB") issued interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosures about the amounts of such liabilities will be required also. In February 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2007. The Company will be required to adopt FIN 48 in its 2008 annual financial statements. The Company has not yet completed its analysis of the effects of FIN 48 and has not determined if the adoption of FIN 48 will have a material impact on its consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States ("GAAP"), and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. However, for some entities, the application of SFAS 157 will change current practice. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. In February 2008, the FASB approved a FASB Staff Position ("FSP") to delay the effective date of SFAS 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Management has not assessed the impact of SFAS 157 on its financial position and results of operations and has not determined if the adoption of SFAS 157 will have a material effect on its consolidated financial statements.

## Note 2 - Trackage Rights Agreement and Leases on Roadway and Land

Prior to 1999, substantially all of the Company's assets were leased to NSR or its predecessors, in two leases dating to 1895 and 1939. The terms of the leases did not require either the Company or Norfolk Southern to renew the leases.

On August 10, 1999, the Board of Directors of the Company approved a Trackage Rights Agreement ("TRA") with NSR terminating the leases. The TRA's term is 15 years with two 15-year renewal options by NSR (45 years) for a base rental of \$11,000,000 (minimum) beginning January 1, 2000, with annual adjustments based upon an inflation index and a 4.5% annual cap (arbitration of cap if it exceeds an average of 4.5% over any seven year period). The TRA provides for transition of management of certain non-rail properties to the Company, maintenance of the Company's rail property, inspections, records sharing and audit. The TRA was approved by the Surface Transportation Board on September 1, 1999.

The TRA grants exclusive freight trackage rights to NSR to conduct all freight operations over the NCRR railroad line. Under federal law National Rail Passenger Corporation ("Amtrak") operates over NSR operated lines under agreements with NSR. NSR is obligated under the TRA to provide rail service to all industries on the NCRR line and to dispatch rail operations on the NCRR line. NSR is obligated to maintain the NCRR line and any improvements made to the line by NSR for freight operations. Under the TRA, NSR does not have financial responsibility for passenger improvements made by the Company, North Carolina Department of Transportation ("NCDOT"), Amtrak, or other parties.

Approximately 40 parcels not used in railroad operations are being returned to the Company for separate (non-NSR) management. These non-corridor properties are managed by the Company after transition from NSR management. Several thousand active and inactive corridor lease/license agreements have been transferred to the Company for administration or disposition. The TRA contains provisions for responsibility for environmental matters by NSR and the Company.

NSR is responsible for any taxes on its freight operations. A Policy Planning Committee comprised of NCRR and NSR representatives addresses all future planning issues, capital improvements, and any disputes that arise under the TRA. In the event of any disagreements, NCRR and NSR are subject to binding arbitration under the TRA.

A lease of certain properties in Charlotte, North Carolina to NSR (the 1968 Lease) expires on December 31, 2067, and provides for an annual rental of \$81,319 through December 2018. The 1968 lease provides that beginning on January 1, 2019, the annual rental for the remaining term of the 1968 Lease is 6% of the appraised value of the property. Under the terms of the 1968 Lease, all taxes connected with the property, except income taxes, are paid by the lessee. The 1968 Lease was not affected by the TRA.



# NORTH CAROLINA RAILROAD COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued December 31, 2007 and 2006

### Note 3 - Capital Commitments

#### Capital Improvement Agreement

On March 20, 2002, the Company entered into a capital improvement agreement (the "Capital Agreement") with NSR in order to establish an understanding between the parties about desired capital improvements as well as a means to fund individual projects pursuant to the TRA. The Capital Agreement calls for certain identified capital improvements to be made to the Company's railroad line (the "Projects"). As of December 31, 2007, the Company's share of the Projects total approximately \$46.8 million and are scheduled for completion between 2008 and 2012.

The Capital Agreement calls for the execution of individual project agreements as appropriate and contains certain provisions with regard to construction responsibilities and cost allocation. The Capital Agreement provides for the funding of a capital program escrow account with an initial deposit of \$500,000 by the Company and additional deposits of obligated Company capital improvement funds held pursuant to N.C. General Statute 124-5.1 to fund capital improvements as recommended and approved by the Company's Board of Directors.

#### Capital Account Funds Agreement

On June 21, 2002, the Company and the NCDOT entered into a Capital Account Funds Agreement ("CAFA") pursuant to N.C.G.S. 124-5.1. Prior to the change in income tax treatment as described in Note 1, the agreement provided that the Company may request obligated NCRR REIT dividends to be expended for improvement of NCRR property as approved by the NCRR Board of Directors, and NCDOT was required to make a contribution to the capital of the Company on behalf of the State as stockholder in the amount requested by the Company. The funds continue to be restricted for use for approved capital improvement projects under the CAFA.

Projects completed under the Capital Agreement with NSR and the CAFA with NCDOT total approximately \$40.7 million as of December 31, 2007, including bridge replacement and rail relay projects.

NCDOT capital improvements in progress under the CAFA total approximately \$30.6 million. Management expects to record a capital contribution and related asset as the improvements are completed in future periods.

The Company has designated the following amounts (all invested in cash or cash equivalents) to capital improvement projects:

	<u>2007</u>	<u>2006</u>
Restricted under construction contracts	\$3,557,594	\$17,849,146
Restricted under the CAFA	14,043,224	11,257,751
Restricted for other capital improvements	661,195	651,693
Board designated funds	10,500,000	-
	<hr/>	<hr/>
Funded capital projects	\$28,762,013	\$29,758,590
	<hr/>	<hr/>

#### Board Designated Funds

During 2007, the Board of Directors passed a resolution to designate \$10,500,000 of unrestricted cash for use on capital improvement projects.

# NORTH CAROLINA RAILROAD COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued December 31, 2007 and 2006

### Note 4 - Employee Benefit Plan

The Company sponsors a SEP-IRA Plan covering substantially all employees. Employees who earn greater than \$400 in wages during the year are eligible to receive the contribution. The employer contribution percentage is approved annually by the Board and contributions are made to employee accounts in January and July. Employer contributions for the years ended December 31, 2007 and 2006 were \$128,309 and \$158,555, respectively. The Company incurred no plan administrative expenses during 2007 or 2006.

### Note 5 - Future Minimum Lease Revenue

The Company derives income from commercial space and leased property. Of the noncancellable leases, one lease, described in Note 2, comprises 88% of the lease income. Rental income received from this lease for the years ended December 31, 2007 and 2006 were \$12,886,327 and \$12,470,437, respectively. The remaining noncancellable leases are related to the rental of commercial space. The following is a schedule of the minimum future rental income, excluding renewal periods, on the noncancellable operating leases at December 31, 2007

December 31,	Amount
2008	\$13,627,377
2009	13,461,910
2010	13,459,185
2011	13,478,537
2012	13,093,214
Thereafter	30,252,197
	<hr/>
	\$97,372,420
	<hr/>

### Note 6 - Capital Structure

The Company's capital structure is composed of 10,000,000 shares of \$.50 par value common stock, of which 317 shares were issued and outstanding as of December 31, 2007 and 2006. As described in Note 1, the State of North Carolina is the sole owner of all of the issued and outstanding common stock of the Company. During 2005, the Company authorized 250 shares and issued 121 shares of redeemable, nonvoting Series B preferred stock. The series B preferred shares carried a mandatory redemption date of August 15, 2012 at a price of \$2,500 if not otherwise redeemed prior to such date. During 2006, the total outstanding series B preferred shares were redeemed.



# NORTH CAROLINA RAILROAD COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued December 31, 2007 and 2006

### Note 7 - Income Taxes

The Company's income before income taxes for the years ended December 31, 2007 and 2006 is broken down as follows:

	<u>2007</u>	<u>2006</u>
Income before income taxes:		
Nontaxable entity	\$7,519,214	\$7,163,491
Taxable entity	148,079	-
	<hr/>	<hr/>
Income before income taxes	\$7,667,293	\$7,163,491
	<hr/> <hr/>	<hr/> <hr/>

The difference between the federal income tax computed by the statutory federal income tax rate of 34% and NCRC's income tax expense as reflected in the consolidated financial statements is as follows:

	<u>2007</u>	<u>2006</u>
Income tax at statutory federal income tax rates	\$50,347	\$ -
Increase attributable to:		
State income tax, net of federal income tax benefit	7,731	-
Impact of graduated tax rates	(9,879)	-
Deferred income tax liability rate adjustment	582,400	-
	<hr/>	<hr/>
	\$630,599	\$ -
	<hr/> <hr/>	<hr/> <hr/>

The Company's deferred income tax liability rate adjustment relates to property held by NCRC. Because the Company's former REIT structure permitted a reduction or avoidance of taxes as further described in Note 1, no provision had been recorded prior to January 1, 2007.

The Company's taxable subsidiary, NC Railroad Inc. has a deferred income tax liability at December 31, 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Noncurrent deferred tax liability, property and equipment	\$574,000	\$ -
	<hr/> <hr/>	<hr/> <hr/>

The Company's total tax expense at December 31, 2007, can be summarized as follows:

	<u>2007</u>	<u>2006</u>
Current income tax expense	\$56,599	\$ -
Deferred income tax expense	574,000	-
	<hr/>	<hr/>
Total income tax expense	\$630,599	\$ -
	<hr/> <hr/>	<hr/> <hr/>

# NORTH CAROLINA RAILROAD COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued December 31, 2007 and 2006

### Note 8 - Subsequent Event

In January 2008, the Board of Directors approved a sale of property located in New Bern, North Carolina, for approximately \$1,775,000. A condition of the sale requires the City of New Bern to accept and relocate the former passenger depot which is located on the property for sale. As of the date of the report, a commitment was received from the buyer, but acceptance had not yet been received from the City of New Bern.







NORTH CAROLINA  
**RAILROAD**  
C O M P A N Y



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